

Uniform Guidance: Administrative Requirements, Cost Principles, and **Audit Requirements** for Federal Awards: Key Changes to Audit Requirements



**EFFECTIVE DATE:
FISCAL YEARS BEGINNING
ON OR AFTER
DECEMBER 26, 2014
NO EARLY IMPLEMENTATION**

Audit Requirements Current and Future

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Current:

OMB Circulars A-133 and A-50

Future (December 26, 2014):

Subpart F-Audit Requirements in 2 CFR Part 200

(published in the Federal Register on Dec 26, 2013)

One link to new guidance:

<https://cfo.gov/cofar-reform-grants>



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Reform of Federal Grants Policies

Important Alert: Over the past few months, the Council on Financial Assistance Reform (COFAR) has received inquiries and complaints from persons targeted by a fraudulent grants scheme. Please read more here: **COFAR Grants Alert**.

Uniform Guidance: Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

COFAR Releases Frequently Asked Questions

On Wednesday, February 12, 2014, COFAR released the first set of FAQs in support of 2 C.F.R. 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Over two hundred thoughtful questions and comments have been received from grantors, grantees, and grant management and oversight professionals throughout country. Additional FAQ releases will parallel Federal agency submission of implementing regulations. If you have additional questions or comments please send them to cofar@omb.eop.gov.

<https://cfo.gov/cofar-reform-gra>

Has links to crosswalks, Fed Register, taped trainings, and FA Can subscribe to updates

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Unchanged: Basic Structure of Single Audit Process

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- Audit threshold (200.501)
- Subrecipient vs. Contractor (200.501(f) & 200.330)
- Biennial (200.504) & Program-specific (200.507) audits
- Non-Federal entity selects auditor (200.509)
- Auditee prepares financial statements & SEFA(200.510)
- Audit follow-up & corrective action(200.511 & 200.521)
- 9 month due date (set in law) (200.512(a))
- Reporting to Federal Audit Clearinghouse (200.512)
- Major programs determined based on risk (200.518)
- Compliance Supplement overall format

Changes: Targeting Risk etc

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- Focus oversight and audit on greatest \$\$ at **risk** of waste, fraud, and abuse of taxpayer dollars
(200.501), (200.518), (200.520)
- Improve **transparency**
(200.512)
- Improve **accountability**
(200.513)
- Resolve underlying weaknesses conclusively by more cooperative audit **resolution** process
(200.513)

Risk and Audit Threshold (200.501)

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- Increases audit threshold from \$500,000 to \$750,000
 - Allows Federal audit resolution resources to focus on larger dollars
 - Reduces burden for 5,000 of 38,000 entities
 - Maintains oversight of 99.7% of currently covered dollars
- New guidance strengthens oversight for all non-Federal entities, whether audited or not. All will have:
 - Pre-award review of risks
 - New standards for financial and program management
 - Increased subrecipient monitoring and management
 - etc

Risk and Major Program Determination (200.518)

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- Strengthens risk-based approach for determining Major Programs
 - New Focus: Programs/Areas with **High Risk Audit Findings:**
 - ✦ Internal Control Deficiencies that have been identified as Material Weaknesses
 - ✦ Modified opinion
 - ✦ Questioned costs >5% of program expenditures
 - Same criteria: Not audited in one of last two audits
 - ~~No longer a criteria: Area with ANY audit finding~~

Risk/Program Cont'd - Type A/B Threshold – Step 1 (200.518(b))

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- Programs are still grouped based on dollars
 - Type A programs are those above the threshold (sliding scale)
 - Type B are those below the threshold
- New: Audit threshold and Type A/B minimum threshold will be the same at \$750,000

Risk/Program Cont'd - Type A/B Threshold – Table for Step 1 (200.518(b)(1))

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Type A/B Threshold	Total Federal Awards Expended (FAE)
\$750,000	Equal to \$750,000 but LT or EQ to \$25 M
Total FAE times .03	Exceed \$25M but LT or EQ to \$100M
\$3,000,000	Exceed \$100M but LT or EQ to \$1B
Total FAE times .003	Exceed \$1B but LT or EQ to \$10B
\$30M	Exceed \$10B but LT or EQ to \$20B
Total FAE times .0015	Exceed \$20B

M means Million Dollars and B means Billion Dollars.

LT means Less Than.

EQ means Equal To.

Risk/Program Cont'd - High-Risk Type A Program – Step 2 (200.518(c))

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Current A-133 criteria:

- Not audited as major program in 1 of 2 most recent audit periods.
- In most recent period had **ANY AUDIT FINDING**.
 - Provided for auditor judgment in limited cases, e.g., very small questioned costs.
 - Other – Auditor judgment
 - Oversight exercised by Federal agencies or pass-through entities, audit follow-up, or changes in personnel or systems which significantly increased risk.

Uniform Guidance:

- SAME.
- In most recent period had a **HIGH-RISK AUDIT FINDING**:
 - Modified opinion.
 - Material weakness in internal control.
 - Known or likely questioned costs exceeding 5% of total program expenditures.
 - Other – Auditor judgment.
 - ✦ Basically unchanged.

Key – An entity with strong internal controls and few audit findings will have less high-risk Type A program.

Risk/Program Cont'd - High-Risk Type B Program – Step 3 (200.518(d))

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Current A-133 criteria:

- Currently there are two Type B risk assessment options:
 - Option 1 – Perform risk assessments on **ALL** Type B programs and select at least **50%** of Type B programs identified as high risk up to number of low-risk Type A programs
 - Option 2 – Perform risk assessments on all Type B programs until as many high-risk Type B programs have been identified as there are low-risk Type A programs.

New criteria:

- Perform risk assessments on Type B programs until high-risk Type B programs have been identified **UP TO** at least **25%** of number of low-risk Type A programs

Program Cont'd - % of Coverage Rule – Step 4 (200.518(f))

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- Guidance reduces the minimum coverage as follows:

Type of Auditee	Current	New
Not low-risk	50%	40%
Low-risk	25%	20%

Program Cont'd - Low-Risk Auditee (200.520)

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Current (2 prior years)

- Annual single audits
- Unmodified opinion on financial statements in accordance with GAAP
- Unmodified SEFA in relation to opinion.
- No GAGAS material weaknesses
- In either of preceding two years, none of Type A programs had:
 - Material Weakness.
 - Material noncompliance.
 - Questioned costs that exceed 5%.
- Timely filing with FAC.
- Auditor could have reported a going concern.
- Waivers.

New (2 prior years)

- SAME.
- Unmodified opinions on statements in accordance with GAAP **or basis of accounting required by state law.**
- SAME.
- SAME.
- SAME
- SAME.
- **No going concern issue.**
- **No waivers.**

Transparency: Single Audit Report Submission (200.512)

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- Available to public online via the FAC
- Protection of PII (personally identifiable information)
- Potential Indian Tribe exception to online publication
- Less administrative burden to auditee/nonFederal entity

Transparency/Submission Cont'd- FAC (200.512(d),(g))

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- All auditees must submit the reporting package and the data collection form electronically to the Federal Audit Clearinghouse (FAC) (200.512(d)).
- FAC submission process will be changed to require that submissions be in text-based PDF and unlocked to improve accessibility.
- FAC responsible to make the reports available on a Web site (200.512(g)).
 - Exception for Indian tribes will be discussed later.

Transparency/Submission Cont'd - PII (200.512(a),(b))

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- Auditors and auditees must ensure reports do not include protected personally identifiable information (PPII) (200.82 & 200.512(a)(2)).
- Auditee must sign statement that (200.512(b)(1)):
 - Reports do not include PPII.
 - Authorizes FAC to make reports publically available on a Web site.
 - ✦ Exception for Indian tribes as defined in 200.54.
 - ✦ No exception for tribal organization not meeting the 200.54 definition.

Transparency/Submission Cont'd - Exception for Indian Tribes (200.512(b)(2))

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- Tribal reports may include confidential business information that would be redacted under the Freedom of Information Act.
- May elect to not authorize the FAC to make reporting package publically available on the a Web site.
- If elected, Indian tribe must:
 - Submit reporting package directly to pass-through entities.
 - Make reporting package available for public inspection as required by the Single Audit Act.

Transparency/Submission Cont'd – Administrative Burden(200.512(b))

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- Federal agencies, pass-through entities, and others obtain copies by accessing FAC website
- Subrecipient submits report to FAC; no longer required to submit to pass-through entity (200.36 & 200.512(b))
- Pass-through entity no longer required to retain copy of subrecipient report since it is available at FAC

Risk and Increased Accountability (200.513)

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- Increased requirement for the Federal awarding agency to use and manage the single audit process:
 - Ultimate goals: Increased performance/Federal program outcomes, and reduced risk of waste, fraud and abuse for future awards
 - Reminder that getting audit reports is not the end-all

Accountability - Single Audit Accountable Official (200.513(c)(5))

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- Federal awarding agencies must designate a Senior Accountable Official who will be responsible for developing a baseline, metrics, and targets to track, over time,
 - the effectiveness of the agency's process to follow up on audit findings
 - the effectiveness of Single Audits in improving non-Federal entity accountability
 - the use of Single Audits by Federal awarding agencies in making award decisions

Accountability - Agency Key Management Single Audit Liaison (200.513(c)(6))

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- Agency management's point of contact for single audit.
- Promote interagency coordination.
- Oversee training for agency's program management personnel related to the single audit process.
- Promote use of cooperative audit resolution.
- Coordinate agency's audit follow-up to ensure timely corrective action on audit findings.
- Organize cognizant agency for audit follow-up.
- Ensure agency provides annual updates to the Compliance Supplement.
- Support the Senior Audit Accountable Official.

Resolution – Cooperative Audit Resolution (200.513(c)(3)(iii))

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- Goal is to address audit findings, to reduce repeat findings
- Commitment to program integrity between all parties (Federal, nonFederal entity, nonFederal auditors)
- Partnership
- Focus on now and future
- Accountability by all parties, including sanctions

Resolution – Cooperative Audit Resolution (200.25) and (200.513.c.3.iii)

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Cooperative audit resolution means the use of audit follow-up techniques which promote prompt corrective action by improving communication, fostering collaboration, promoting trust, and developing an understanding between the Federal agency and the non-Federal entity. This approach is based upon:

- (a) A strong commitment by Federal agency and non-Federal entity leadership to program integrity;
- (b) Federal agencies strengthening partnerships and working cooperatively with non-Federal entities and their auditors; and non-Federal entities and their auditors working cooperatively with Federal agencies;
- (c) A focus on current conditions and corrective action going forward;
- (d) Federal agencies offering appropriate relief for past noncompliance when audits show prompt corrective action has occurred; and
- (e) Federal agency leadership sending a clear message that continued failure to correct conditions identified by audits which are likely to cause improper payments, fraud, waste, or abuse is unacceptable and will result in sanctions.

Resolution - Audit Findings (200.516)

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- Threshold for reporting known and likely questioned costs from \$10,000 to \$25,000 (200.516(a)(3) & (4))
- Questioned costs identified by CFDA number and applicable award number (200.516(b)(6))
- Identification of whether audit finding is a repeat from the immediately prior audit and if so the prior year audit finding number (200.516(b)(8))
- Provides that audit finding numbers be in the format prescribed by the data collection form (200.516(c))

Transparency and Accountability – Additional Audit Requirements

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- Centralized list of program specific audit guides will be provided beginning with the 2014 Supplement including (200.517(a)):
 - Agency contact information.
 - Web site where copy of guide is available.
- Provides for a government-wide audit quality project once every 6 years beginning in 2018 (200.513(a)(3)(ii)).

Additional Audit Requirements Cont'd - Future Changes

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- Included language to allow for future combining of the audit reporting and the data collection form if permitted under auditing standards and the approved FAC data collection (200.515(e)).
- Single Audit resolution project currently under supervision of COFAR is aimed at improving coordination for cross-cutting findings and improving transparency of management decisions.

Appendix XI - Compliance Supplement

- Supplement is published as separate process so the final changes are not included in the Guidance.
- Future changes will be based on available evidence of past audit findings & potential impact of non-compliance.
- Concern whether reducing requirements would lead to too many “special add backs” by agencies
- Further public outreach will be conducted prior to making structural changes to Supplement format.
 - 2014 Supplement will preview the implementation of changes.
 - Changes will not be effective until the 2015 Supplement.
 - 2014 Supplement expected in April 2014.

CFO Council Audit Resources

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To see governmentwide questions to
COFAR,
And to access crosswalks from old to new
guidance:

<https://cfo.gov/cofar>